

Luskin describes a system and method for adjusting the investment composition in a defined contribution plan (a type of pension plan). Adjustments are made based on the employee's preferences for risk versus return over the term of investment ending at a "time horizon" (col. 2, ll. 18-47). Luskin defines a "time horizon" as the date when "cash may be needed to be withdrawn from the fund" (col. 2, l. 35). As the "time horizon" approaches, the fund's mix of assets is adjusted to transfer holdings from riskier assets to those with less risk (col. 2, l. 39 to col. 3, l. 5; col. 6, ll. 32-46).

In applicants' previous Response to Office Action filed October 18, 2002, applicants demonstrated that Graff and Luskin, taken alone or in combination, fail to render unpatentable the pending claims. For example, applicants noted that independent claim 1 calls for making certain distributions to holders of the claimed trust units. More specifically, this claim recites:

- (a) computing the price of the trust units based on the share ratio for the period and the current values of the underlying bond and the equity security shares;
- (b) comparing the computed price of the unit to a predetermined threshold price;
- (c) making a distribution to unit holders based on the comparison . . .

With respect to these claim elements, applicants noted that although Graff makes periodic cash payments to investors, those payments are not based on a comparison between a computed price and a predetermined threshold price. Indeed, as the Examiner recognizes in paragraph 5 of the Office Action, "Graff fails to teach periodically computing the price of the trust units based on the share ratio for the period and the current values of the underlying bond and the shares of the security." Thus, Graff does not use an instrument's computed price in determining the amount to distribute to investors.

As applicants further noted in their Response of October 18, 2002, Luskin fails to supply this missing element. In particular, the cited portions of Luskin relied on by the Examiner refer to the way cash is distributed among the different portfolios of Luskin's system, not distributions to individuals that own fund shares. See, e.g., Luskin at col. 5, ll. 1-4 ("In one embodiment of the invention, and as illustrated in the FIG. 2, the investment mix is adjusted by adjusting the percentage of available cash distributed among the portfolios  $P_m$  in each fund  $F_n$ " (emphasis added)). Indeed, because Luskin's invention is directed to managing pension plans in the period before the investor's "time horizon" has been reached (see col. 2, ll. 18-25), Luskin does not expect to make any distributions to investors until that time (see col. 2, ll. 35-36 ("The time horizon  $H_t$  defines the expected date at which cash may need to be withdrawn from the fund . . ."))).

The additional references cited by the Examiner, in particular CIBC, CJN, Satyajit, and Lange similarly fail to render the pending claims unpatentable. CIBC and CJN

at best demonstrate the existence of equity-linked notes, a type of bond that pays interest based on the performance of an equity market index.<sup>1</sup>

The Examiner asserts that motivation to combine these references (including Luskin and CIBC) is found in Luskin at col. 2, ll. 18-25. But, as noted, because Luskin is directed to a pension plan, he does not expect to make payments to an investor until the investor's time horizon is reached. By contrast, CIBC expressly teaches that note holders may "elect[] to receive early payment of interest prior to maturity." CIBC at 1. More generally, the Examiner fails to explain why it would have been obvious to combine CIBC's equity-linked note, with its potential for early interest payments, with Luskin's pension system.

Moreover, even assuming that these references could be logically combined, they nevertheless fail to disclose the invention of claim 1. More specifically, pending claim 1 further recites:

- (d) adjusting the share ratio of the units to reflect the distribution.

As will be recognized, since the number of equity security shares per trust unit is defined in the claim as the share ratio, decreasing a unit's share ratio represents a decrease in the number of shares per unit. Thus, in the invention of claim 1, a trust unit's composition changes as a result of the distribution. None of Graff, Luskin, CIBC, or CJN disclose changing such a share ratio as a result of distributions to investors.

The Examiner apparently cites Lange to satisfy this aspect of the claim. More specifically, the Examiner cites Lange for the proposition that "the composition of [a] trust changes with [a] distribution." It is respectfully submitted, however, that Lange does not disclose a trust or the effect on a trust when a distribution is made. Rather, Lange discloses a system for reducing transaction costs involved with trading "contingent claims relating to events of economic significance" (col. 6, ll. 51-52). In Lange, contingent claims include "stocks, bonds and other such securities, derivative securities, insurance contracts and reinsurance agreements, and any other financial products, instruments, contracts, assets, or liabilities whose value depends upon or reflects economic risk due to the occurrence of future, real-world events." (Col. 7, ll. 31-40). Lange provides a framework for speculators to actively trade contingent claims and receive a payout based on their demand for an outcome of the event, known as demand-based active return contingent claims (col. 8, ll. 24-28). The return is paid after a determination of the outcome of the event.

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<sup>1</sup> The Examiner cites Satyajit to demonstrate that equity-linked notes are in the prior art. Applicants note, however, that the Examiner has not provided a copy of the Satyajit reference but only a page from Barnes & Noble's web site that illustrates the cover of the book and lists its title, author, publisher, publication month and year. Applicants cannot ascertain from the information presented whether or not the reference supports the Examiner's proposition.

Moreover, even assuming that Lange did disclose the effect of distributions on a trust, the Examiner again fails to explain how this reference can be logically combined with the other cited references. As noted, Luskin is directed to a pension plan and CIBC is directed to an equity-linked note. The Examiner does not explain how or why one of ordinary skill would integrate Lange's "contingent claims marketplace" into these disparate systems and products.

In addition, even if the Examiner was able to establish adequate motivation to combine all these references, they nevertheless fail to meet claim 1. In particular, the distribution recited in claim 1 is a function of a comparison between a computed price and a predetermined threshold price. None of Graff, Luskin, CIBC, CJN, or Lange discloses such a distribution methodology, and accordingly, taken alone or in combination, fail to render obvious independent claim 1.

Furthermore, application No. 09/448,822 which matured into the Lange patent was filed on November 24, 1999, after the filing date of applicants' application. As such it would not normally be available as a reference under 35 U.S.C. § 102(e) or 35 U.S.C. § 103(a). And although Lange claims benefit of unpublished provisional patent application No. 60/144,890, the Examiner has not demonstrated that the subject matter for which Lange is cited was disclosed in that provisional application.

It is respectfully submitted that independent claims 11, 25, and 28 are also allowable over the cited prior art for reasons analogous to those discussed above in connection with claim 1.

It is further respectfully submitted that dependent claims 2, 4, 6-10, 12, 14, 15, 26, 29-36, 38-44, which incorporate by reference all the limitations of the respective independent claims from which they depend, are similarly allowable for at least the reasons discussed above in connection with independent claim 1.

The original due date for this Response was March 13, 2003. Accordingly, a Petition for an Extension of Time (two months) is submitted herewith to render this Response timely. Please charge any required fees in connection with this Response and Petition to Pennie & Edmonds LLP Deposit Account 16-1150.

In light of the above, it is respectfully submitted that all the pending claims are patentable over the cited prior art. Favorable disposition of the pending claims is therefore respectfully requested.

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Respectfully submitted,

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